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This Week in Canadian Agriculture, Issue 28 2004

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Report Highlights:

* Canadian Cattle Herd Reaches Record Size * Canadian Cattle Exports Plunge * B.C. Poultry On The Move * Canadian Softwood Industry May Target Byrd Amendment To Get Duties Back * Canadian Hogs Avoid Duties * McCain Drops Pizza Complaint * Some Ontario Soybean Crops In Trouble * Prairie Crop Update

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CANADIAN CATTLE HERD REACHES RECORD SIZE: According to Statistics Canada, Canadian ranchers have one million more animals on their farms than they did in 2003. In their annual livestock survey, Stats Canada found that Canada's cattle herd had increased to 16.8 million animals as of July. This is 6.5 per cent higher than at the same time last year. The largest increase in animals was on the Prairies. Alberta, who has the largest percentage of Canada's national cattle herd, saw its cattle numbers increase nearly 5 per cent, while Manitoba and Saskatchewan each saw a 10 per cent increase. With limited slaughter capacity and the border still closed to live animal exports, Canada's cattle herd will continue to increase in size. The Canadian Cattlemen's Association (CCA) is considering its options on how to deal with an ever-increasing number of cattle, especially cows and bulls. One of the options that have been presented is a massive cull of older cattle, in order to bring the herd numbers back in line. But the CCA is reluctant to pursue that avenue until all other options have been exhausted.

CANADIAN CATTLE EXPORTS PLUNGE: After the border closure in May 2003, Canadian cattle exports plunged to 505,689 head, valued at \$591 million, from 1.7 million head, worth \$1.8 billion in 2002. Exports of live cattle in 2004 are non-existent, as the border remains closed. Exports of beef also dropped by 33% from \$2.1 billion in 2002 to \$1.4 billion in 2003. The first four months of 2004 recorded a further 11.3% decline from 2003 values. The drop in exports and the poor price producers are receiving for their animals has resulted in a dramatic decline in Canadian farmers' cash receipts for cattle and calves in the third and fourth quarters of 2003. Cash receipts fell to \$2.1 billion in 2003 from \$3.9 billion during the same period in 2002. The Canadian Cattlemen's Association is considering a contingency plan that would help stabilize the price of cattle as the calf fall run edges closer and threatens to drive already low prices down even further.

B.C. POULTRY ON THE MOVE: In a country plagued by bad luck in its agriculture industry, Canada is declaring a small victory. Poultry producers in B.C., who were devastated by avian influenza have been given the green light by the Canadian Food Inspection Agency (CFIA) to freely move live birds outside the control zone. As well, hatching eggs, federally graded table eggs and poultry products, are also eligible to be moved without restriction within Canada or the U.S. Producers in the Fraser Valley were required to carry out a strict disinfection process and had to remain free of avian flu for 60 days before the CFIA would consider lifting restrictions on B.C. poultry products. There are still some international export restrictions in place, but they are being addressed on a country-by-country basis. All in all, roughly 17 million chickens, turkeys and other birds were slaughtered in order to stamp out the virus. Avian flu has cost the provincial industry roughly \$400 million and it will most likely take up to a year for producers to return to normal levels of production.

CANADIAN SOFTWOOD INDUSTRY MAY TARGET BYRD AMENDMENT TO GET DUTIES BACK: The Free Trade Lumber Council (FTLC) is strongly encouraging Canada to engage the European Union and other major U.S. trading partners in a coordinated effort to force the U.S. to repeal the Byrd Amendment. The Canadian softwood industry has been subject to duties applied to their product for more than two years. The duties are accumulating at a rate of \$100 million US a month and add up to more than \$2.4 billion since the duties were first imposed. The Canadian softwood lumber industry would benefit greatly from a repeal of the Byrd Amendment. The Government of Canada is waiting for two things before making any move on this issue. First, they are waiting for the final rulings by the NAFTA panel and whether or not the U.S. will seek an extraordinary challenge committee as a last ditch appeal of the NAFTA panel's injury ruling. Second the government is waiting for the green light from the WTO for an appropriate level of retaliation over the Byrd Amendment to the nine countries who originally took the issue of the Byrd Amendment to the WTO. There have been previous indications from the U.S. that they plan on keeping the money collected as duties. As this is no small amount of

money, the FTLC would like to see the money returned to those Canadian companies who have been paying the duties, rather than having it distributed to their competition in the United States.

CANADIAN HOGS AVOID DUTIES: The United States Department of Commerce ruled earlier this week that Canada's subsidies for its hog industry are too small to justify the imposition of U.S. tariffs on hogs coming from Canada. The U.S. hog industry wanted countervailing duties imposed on Canadian hogs coming south, claiming that subsidies allowed the hogs to be sold into the U.S. at prices well below American farmers' production costs. The Canadian hog industry was pleased with the result, as they felt that there was no justification for the case. Although the Canadian industry emerged unscathed from this ruling, there is a possibility that antidumping duties could be applied if the U.S. Commerce Department finds evidence of dumping of Canadian hogs in its investigation. The preliminary determination for the antidumping case is scheduled for October 15, 2004.

MCCAIN DROPS PIZZA COMPLAINT: On Tuesday, McCain Foods Ltd., announced that it has dropped its trade complaint on self-rising pizzas coming from the United States. The company would not provide an explanation as to why it has backed down. Canada imposed a 39.4 per cent duty on frozen, self-rising pizzas from the U.S. in mid-May. The Canadian International Trade Tribunal (CITT) was expected to rule as to whether or not the dumping of pizzas was causing injury to producers like McCains. On Wednesday, the CITT ruled that despite the Canadian Border Services Agency's findings that dumping was taking place, the dumping of pizzas has not caused injury or retardation and is not threatening to cause injury to the domestic industry. As McCain had removed its trade complaint, it would have been difficult for the CITT to find injury. The CITT ruling followed along the same lines as another dumping case where the complaint was also withdrawn.

SOME ONTARIO SOYBEAN CROPS IN TROUBLE: According to the provincial department of Agriculture, the delayed seeding as a result of the wet, cool spring, have soybean crops in southwestern Ontario heading for trouble. Some of late planted soybean fields have only produced one to two pods per plant, while others are sitting at 10-15 pods per plant. This is well below what is needed to produce a good yield. Producers who were able to seed early are showing excellent yield potential, but the cool weather is taking its toll. The cool, wet conditions have also resulted in occurrences of white mould. The majority of soybeans in the Province are now between the beginning pod and the full pod stage.

PRAIRIE CROP UPDATE: Frost has been reported across all three Prairie Provinces, causing minor damage to some crops. With crops being 2-3 weeks behind in some areas and a forecast for freezing overnight temperatures for the next couple of days in Saskatchewan and Manitoba, there could be increased damage and downgrading of late fields. The provincial department of Agriculture in Alberta is reporting that generally across the province, spring cereals are in the early dough stage while winter cereals are ripening rapidly. Canola is basically done flowering and is in the podding stage. The crops are decent, with 77% of spring cereals, 67% of winter cereals and 75% of canola in good to excellent condition. Swathing has begun in the southern region, but the rest of the province is at least 1-2 weeks away from harvest. The provincial department of Agriculture in Saskatchewan is reporting that harvest has begun, but only ½% has been combined and roughly 1% has been swathed. Harvesting has been limited to the southwest districts. Lodging is a concern in many areas of the province. According to the provincial department of Agriculture in Manitoba, miserable weather has continued to hamper crop advancement. Very little harvest activity is occurring, with most cereals needing another 3-4 weeks and oilseeds another 4-5 weeks.

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